

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6028**

**BILL NUMBER:** HB 1030

**NOTE PREPARED:** Dec 28, 2002

**BILL AMENDED:**

**SUBJECT:** Homestead credit.

**FIRST AUTHOR:** Rep. Smith V

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides a 100% homestead credit for taxpayers who: (1) are at least 65 years old; and (2) have paid property taxes for at least 35 consecutive years. The bill makes conforming amendments.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** Under current law, beginning in 2003, the state provides a homestead credit that is equal to 20% of a homeowner's net property tax liability. This bill would increase the 20% credit to 100% for taxpayers who are at least 65 years old and have paid real property taxes for at least 35 consecutive years. The bill does not require all of the payments to have been made on the same property.

Net residential property taxes (net of PTRC and homestead credit) are estimated to be about \$2,061 M in CY 2004 and \$2,171 M in CY 2005. According to the U.S. Census Bureau, about 23.35% of homeowners were at least 65 years old in 2000. If it is assumed that all persons who are at least 65 years old have been paying property tax for 35 consecutive years, then the cost of this bill would be estimated at \$481 M in CY 2004 and \$507 M in CY 2005. This is the maximum estimate since it is unlikely that every homeowner who is at least 65 years old has been paying property tax for 35 consecutive years.

The Census Bureau also reports that 11% of Indiana homes have been occupied by the same householder since 1969 or before. Although this group of householders may belong to several age groups, it is likely that the majority are at least 60 years old. This group of taxpayers does not include taxpayers who have moved at least once but have paid tax on an Indiana residence each year during the past 35 years. However, this number probably serves as the minimum estimate of the number of homes that would be affected by this

proposal. The minimum impact of this bill is estimated at \$227 M in CY 2004 and \$239 M in CY 2005.

**On a fiscal year basis, the increased cost to the state is estimated to \$76 M to \$160 M in FY 2004 and \$231 M to \$490 M in FY 2005.**

Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional Homestead credit expenditures would ultimately come from the General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** County auditors could have additional administrative costs associated with processing homestead credit applications for those claiming the 100% credit.

**Explanation of Local Revenues:** Local revenues would not be affected by the proposal.

**State Agencies Affected:** Department of Local Government Finance; Auditor of State.

**Local Agencies Affected:** County Auditors.

**Information Sources:** Local Government Database; U.S. Bureau of the Census.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859